



Tweet



True Return Systems
@InventFi

...

@compoundfinance

RE: Compound Finance's Use of U.S. Patent No. 10,025,797: Method and System for Separating Storage and Process of a Computerized Ledger for Improved Function truereturnsystems.com/c-docs

via Email post to www.comp.finance
via Twitter to twitter.com/compoundfinance

RE: Compound Finance's Use of U.S. Patent No. 10,025,797: Method and System for Separating Storage and Process of a Computerized Ledger for Improved Function

Dear COMP Owners and Compound Finance Governance:

Our firm represents True Return Systems, LLC ("TRS"). This letter summarizes TRS's position concerning the use of its patented technology without a license.

U.S. Patent No. 10,025,797 is generally directed to systems and methods that improve distributed ledger technology by addressing computational, time, storage, and security constraints inherent to distributed ledgers such as blockchains. The general approach of the '797 Patent is to separate certain processing and storage functions from a base distributed computerized ledger while linking the separated processing and storage to a base distributed computerized ledger. The technology described in the '797 Patent was developed exclusively by TRS.

Because decentralized organizations do not have a recognized legal status, the limited liability protection afforded to many other organizations is not available—leaving individuals subject to personal liability because of their investments.⁴

While the writings of private practice attorneys and internet commentators do not make law, it appears that the majority of papers and articles are similarly aligned on matters of potential DAO liability.⁵ General partnerships have no corporate form and do not provide partners with the liability limitations contained in other common-law structures.

The Compound Finance DAO, COMP owners, and Compound Labs, Inc.

We expect the owners and operators of the Compound Finance protocol may rely on entanglement of names to misdirect the identity of the DAO's owners and operators where the mix of names may include Compound, Compound Finance, the Compound Protocol, the Compound Finance Protocol, Compound Labs, Inc., and the website compound.finance. We do not expect a

but rather represents that it is operated by the owners of the COMP token through decentralized governance. The COMP token serves essentially the same purpose as tradable partnership interests or voting tradable shares in an unincorporated entity. According to Compound Finance documentation and press releases from Compound Labs, Inc., COMP owners operate the governance functions, treasury functions, and control the rights over distributions and distribution entitlements for the Compound Finance DAO's business operations.

Counsel for Compound Labs Inc recently authored an article directed at the partnership liability for a DAO, titled entitled "Opinion - How to Do Business as a DAO." In the article counsel argues:

There is a risk the DAO could be considered a general partnership or unincorporated association. This might expose its members to personal liability for any of the DAO's actions and obligations, and discourage businesses, institutional investors, or other vulnerable or regulated entities from participating in DAOs.⁷

Crypto counsel for Andreessen Horowitz's a16 co-authored a whitepaper in which he similarly noted risks to DAOs include:

to reflect the additional expense.

Very truly yours,

David A. Bong

⁴ See D. Kerr et al., A Legal Framework for Decentralized Autonomous Organizations, pp. 12-13, www.comp.finance (2021); 10 DAOs Legal Framework, www.comp.finance (2021); 10 DAOs Legal Framework, www.comp.finance (2021).

12:32 PM · Mar 10, 2022